

Message Text

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44

ACTION EB-11

INFO OCT-01 AF-10 ARA-16 EUR-25 EA-11 NEA-10 ADP-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-03 RSC-01 PRS-01 SS-15 USIA-15 COME-00 INT-08

SCEM-02 TRSE-00 OMB-01 IO-13 AEC-11 RSR-01 /188 W

----- 097591

R 301508Z AUG 73

FM AMEMBASSY VIENNA

TO SECSTATE WASHDC 9782

INFO AMEMBASSY ABU DHABI

USINT ALGIERS

AMEMBASSY ATHENS

USINT BAGHDAD

AMEMBASSY BEIRUT

AMEMBASSY BONN

AMEMBASSY BRASILIA

USMISSION EC BRUSSELS

AMEMBASSY CARACAS

AMEMBASSY JAKARTA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LAGOS

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY QUITO

AMEMBASSY ROME

AMEMBASSY TEHRAN

AMEMBASSY TRIPOLI

AMEMBASSY TOKYO

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PASS COMMERCE/INTERIOR FOR STAFFEL STANG

EO 11652: NA

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TAGS: ENRG, OPEC, XX

SUBJECT: OPEC VIEWS ON CURRENT ENERGY PROBLEMS

1. SUMMARY: IN LONG-RANGING SEPARATE DISCUSSION WITH STAFFDEL DAVID STAND AND EMBASSY OFFICERS, OPEC SECRETARY GENERAL KHENE REVIEWED CURRENT PROBLEMS AND FORECAST INCREASED PROCES FOR CRUDE OIL. OTHER ITEMS DISCUSSED WEHRE ISRAELI PROBLEM AND KHENE'S OCT VISIT TO THE U.S. END SUMMARY

2. REGARDING PARTICIPATION AND NATIONALIZATION MOVES BY OPEC MEMBERS, PARTICULARLY LIBYA, KHENE DEFENDED THE SOVEREIGN RIGHT OF OPEC COUNTRIES TO ASSUME MAJORITY CONTROL OVER NATURAL RESOURCES. HE POINTED TO THE EARLIER ALGERIAN AND IRANIAN MEASURES AND STATED THAT LIBYA COULDNOT BE FAULTED BY LACK OF A PRECEDENT. EACH OPEC MEMBER IS FREE TO MAKE INDIVIDUAL RULINGS ON PARTICIPATION ACORDING TO KHENE. HE DID ADMIT THAT LEAP-FROGGING WOULD OCCUR BECAUSE OF DOMESTIC POLITICAL PRESSURES IN INDIVIDUAL OPEC COUNTRIES.

3. CONCERNING POSSIBLE LMIITATIONS ON PRODUCTION AND EXPORTS, KHENE STATED THAT PRIMARILY THESE SHOULD BE REGARDED AS CONSERVATION MEASURES. ONE REASON HE SAID THAT OIL WAS BEING WASTED WAS BECAUSE IT WAS SO CHEAP COMPARED TO OTHER ENERGY SOURCES. FOR THIS REASON AND BECAUSE HE FELT THAT EVEN CURRENT INCREASED PRICES WERE BEING OVERTAKEN BY INFLATION, HE PREDICTED POSTED PRICES OF \$7.50 PER BBL. BY 1976. FURTHER TO THE NOTION OF CONTROLLED EXPORTS, KHENE ALLUDED TO U.S. EXPORT CONTROLS ON STRATEGIC ITEMS TO COMMUNIST COUNTRIES AND THE RECENT CONTROLS ON FOOD GRAINS AS A JUSTIFICATION FOR OPEC COUNTRIES TO EXERCISE SIMILAR CONTROLS.

4. KHENE, IN REFERENCE TO THE ARAB-ISRAELI PROBLEM, STATED THAT OPEC WAS APOLITICAL BUT AGREED THT PETROLEUM WAS THE MOST POLITICAL OF INTERNATIONAL COMMODITIES. NOW THAT OIL SUPPLY IS REACHING CRITICAL PROPORTIONS HE BELIEVES THAT ARAB OPEC MEMBES WILL FEEL MORE SECURE IN GREATER USE OF PETROLEUM AS A POLITICAL WEAPON. EMBASSY'S ECON COUNSELOR SUGGESTED THAT OIL CRISIS AND PROBLEMS WOULD STILL BE AN ECONOMIC FACTOR WITHOUT ISRAEL TO WHICH KHENE AGREED BUT SUGGESTED IN LONG REVIEW OF PROBLEM AND ALLEGED IMBALANCE IN U.S. SUPPORT OF ISRAEL THAT PROBLEM IS NOW INTENSIFIED.

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5. KHENE SAID THAT HE WILL BE VISITING THE U.S. TO GIVE A SPEECH IN DALLAS ON OCTOBER 2, 1973 AND AFTERWARDS WOULD VISIT WASHINGTON. HE EXPRESSED A DESIE TO MEET WITH PERTINENT SENATE MEMBERS OF THEINTERIOR COMMITTEE PARTICULARLY SENATOR MCCLURE. HE ALSO WOULD LIKE TO PAY CALL ON UNDER SECRETARY WILLIAM PORTER, FORMER AMBASSADOR TO ALGERIA, WHOM KHENE HAD MET PREVIOUSLY. KHENE DESIRES TO KEEP HIS VISIT LOW-KEYED BUT WOULD BE PLEASED

TO MEET ANY OFFICIALS DEPARTMENT MAY FEEL WORTHWHILE SUCH AS
UNDER SECRETARY CASEY, JAMES AKINS AND OTHERS. HUMES

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 30 AUG 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: hilburpw
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973VIENNA07177
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: n/a
From: VIENNA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973084/aaaaacpp.tel
Line Count: 117
Locator: TEXT ON-LINE
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hilburpw
Review Comment: n/a
Review Content Flags:
Review Date: 28 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Aug-2001 by elyme>; APPROVED <24-Sep-2001 by hilburpw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OPEC VIEWS ON CURRENT ENERGY PROBLEMS
TAGS: ENRG, XX, OPEC
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005